Five things you need to know from August

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Tariff wars, US debt, social media and healthcare news were some of the factors that drove markets last month. Here's our key five updates:

1. North American tariff war

Hopes of a trade agreement between the US and Canada faded after negotiations broke down at the end of the month. The US announced tariffs of up to 50% on Canadian goods. Canada swiftly retaliated with up to 50% tariffs on a “dollar for dollar” basis.

The tariffs could harm businesses on both sides of the border, with automakers being hit hard. Many cars popular in America are built in Canada by US companies, but a lot of auto parts are also manufactured there, which could push up prices for US citizens who already have cars.

Canada's response has been to retaliate with their own tariffs that appear to be carefully targeted at industries and regions that could create political pressure ahead of the US midterm elections.

Perhaps more significantly, the dispute risks causing lasting damage to the relationship between the two long-standing trading partners. Canadian Prime Minister Mark Carney noted “We cannot depend on traditional alliances when the rules of the game have fundamentally changed”. This could mean increased trade with Europe and other American countries – and could lead to other countries taking a stand against Trump’s tariffs if he resorts to the tactic again.

2. Meta settles lawsuit over child safety claims

The owner of Facebook and Instagram agreed to pay up to $18bn to settle claims brought by 29 states that said its platforms harm children. The deal also includes promises to introduce certain rules for teenagers including daily limits and nighttime blocks. The money will be spent on programs associated with the impacts of social media on children.

Part of the settlement depends on YouTube and TikTok agreeing to make changes to their apps. This will put pressure on both platforms, as California’s Attorney General Rob Bonta and other states take a closer look at their practices.

The spotlight on social media companies and their practices isn’t over. More changes, investigations and fines could be coming for the sector.

3. US national debt breaches $40tn

More than doubling in a decade, the US national debt has reached the $40tn milestone. It was predicted to reach $39.6tn by the end of this fiscal year and has already surpassed it. US national debt is expected to reach $64tn by 2036.

Costs are spiralling out of control, inflation is high, interest rates are high - which means that the managing that deficit is even more expensive. It's now almost 20% of tax revenue, more than spending on defence.

Bond investors are now demanding a higher yield because of the size of the debt, knowing that they might get a better return from AI companies also looking for investor cash.

The approach to fix this so far has been buying back government debt boosting demand for bonds, but the effect was short-lived. US households could face higher rates for mortgages and credit, and this could also increase other costs for consumers. The US might have to look deeply at fiscal and monetary policy to correct this.

4. Healthcare strikes back?

Merck and Moderna announce late-stage trial results for a personalised skincare vaccine in July, which showed wider application of the mRNA technology used in Moderna's COVID-19 vaccine. Share prices rose for both companies strongly on the back of the news.

During the pandemic healthcare stocks took off and we also saw strong performance with a boom in GLP-1 weight loss drugs. They've had a great impact on public health, but since then the sector has been rather lacklustre. Investors have been waiting for the next blockbuster move from the industry, and the market reaction to the trial results suggested that they think they may have found it. But is it the next big thing, or an overreaction? We'll have to wait and see.

5. UK growth slowdown

The UK economy grew by 0.4% between April and June, the Office for National Statistics (ONS) reported in August. This is a slowdown from the 0.6% growth in the previous three months, but sunny weather and the World Cup may have boosted the hospitality sector. The service economy also expanded by 0.5% driven by gains in computer programming and consultancy.

Chancellor Healey has said the government's aim is to make the country more resilient and drive growth in every postcode. We could see a challenge in his upcoming Budget if there is a deceleration coming, which everyone is awaiting with interest.

Name	1m	3m	YTD	1yr	3yr
FTSE Actuaries UK Conventional Gilts All Stocks	0.19	-0.75	-1.26	2.45	7.37
IA Sterling Corporate Bond	0.30	-0.04	0.23	3.46	18.82
IA Global High Yield Bond	0.39	0.45	1.93	4.24	20.41
FTSE All Share	0.69	5.13	11.94	21.30	59.75
FTSE USA	2.07	1.23	11.96	19.23	64.53
FTSE World Europe ex UK	0.89	3.23	10.74	20.85	55.23
FTSE Japan	2.48	2.63	19.14	26.09	59.96
FTSE Asia Pacific ex Japan	2.62	-1.30	22.35	34.47	72.30
FTSE Emerging	2.01	0.99	11.82	21.62	55.84

Source: FE Analytics, GBP total return (%) to last month end

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Version date: 04/09/2026